

14V - DEBT PREPAYMENT

Operational Summary

Description:

To reduce the General Fund debt burden. As of June 30, 2002 there is \$1.01 billion in outstanding in General Fund debt, of this amount \$905.3 million is from the bankruptcy recovery. By the end of FY 2002-03 the General Fund debt burden will be reduced by \$38.9 million and bankruptcy related debt will be reduced by \$31.7 million.

This fund was created by Board of Supervisors action on October 20, 1999 which transferred \$27.1 million from the Debt Repayment reserve to this new fund. Subsequently, the annual strategic financial plans and corresponding budgets have added money to this fund. The County has redeemed or defeased \$363.6 million in outstanding debt since 1998.

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The next target for reduction or defeasance are the outstanding 1995 Refunding Recovery Bonds (see also Fund 15P) which have a current balance of \$247.5 million.

At a Glance:

Total FY 2001-2002 Actual Expenditure + Encumbrance:	1,366,712
Total Final FY 2002-2003 Budget:	94,723,000
Percent of County General Fund:	N/A
Total Employees:	0.00

Strategic Goals:

- To eliminate or reduce the debt service burden on the General Fund. Reduction of debt releases scarce County general purpose revenues for more productive uses. Although the 2002 Strategic Financial Plan assumed further reduction in the 1995 Refunding Recovery Bond principal, no additional reduction has taken place. Recent historically low interest rates have made it economically unfeasible to defease additional debt.
- The interest on the cash in this fund is retained by the fund. However, because anticipated debt reduction has not taken place, this fund will transfer \$1.3 million during FY 01-02 and \$1.2 million during FY 02-03 from interest earned to the General Fund, Agency 100.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Reduce as much as possible of the outstanding 1995 Refunding Recovery Bonds using the most cost effective means. One option is to target some of the term bonds for early redemption. With the \$94.7 million projected to be available to this fund during FY 2002-03, about \$87 million in out-

standing principal can be reduced, resulting in debt service savings to the County of approximately \$5 million per year. Another option is to target some of the outstanding serial bonds for debt reduction in years of stress indicated by the County's Strategic Financial Plan.

Final Budget and History:

Sources and Uses	FY 2000-2001 Actual Exp/Rev	FY 2001-2002 Final Budget	FY 2001-2002 Actual Exp/Rev ⁽¹⁾	FY 2002-2003 Final Budget	Change from FY 2001-2002 Actual	
					Amount	Percent
Total Revenues	42,478,317	59,651,000	59,782,716	94,723,000	34,940,284	58.45
Total Requirements	1,010,071	59,651,000	1,366,712	94,723,000	93,356,288	6,830.72
Balance	41,468,246	0	58,416,004	0	(58,416,004)	-100.00

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2001-02 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: Debt Prepayment in the Appendix on page 642.

Highlights of Key Trends:

- On February 25, 2002, the Board of Supervisors approved a construction contract for the construction of the Theo Lacy Branch Jail Building "B" that is funded from Public Sales Safety Tax Surplus (Fund 14B), Special Designated Revenue Fund 15S and the Public Safety share of the Tobacco Settlement Revenue, Fund 13N. See Fund 15C for additional information.
- Because the jail expansion is now funded, \$32.7 million that was kept in the general fund bond reserve for this purpose, was earmarked for transfer to Fund 14V for use in further debt reduction. However, because of a lack of sufficient revenues to fund ongoing general fund programs, the transfer was reduced by about \$7 million. Additionally, \$10 million as programmed in the 2001-2002 Strategic Financial Plan are added in the FY 2001-2002 Budget.